DOCUMENT RESUME

ED 426 675 HE 031 833

TITLE	AGB Statement on Institutional Governance. Board Basics: The Fundamentals.
INSTITUTION	Association of Governing Boards of Universities and Colleges, Washington, DC.
PUB DATE	1999-00-00
NOTE	17p.; "Adopted by the AGB Board of Directors November 8, 1998."
AVAILABLE FROM	Association of Governing Boards of Universities and Colleges, One Dupont Circle, Suite 400, Washington, DC 20036; Tel: 800-356-6317 (Toll Free); Web site: http://www.agb.org ($5.95 members,10 or more copies each $3.95; $9.95 nonmembers, 10 or more copies each $7.95).
PUB TYPE	Opinion Papers (120)
EDRS PRICE	EDRS Price MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS	Accountability; College Presidents; *Decision Making; Educational Trends; *Governance; *Governing Boards; Higher Education; Trend Analysis
IDENTIFIERS	*Association of Governing Boards of Univs and Colls

ABSTRACT

This statement offers guidelines, principles, and recommended practices for governing boards at institutions of higher education. First, some facts and perceptions such as the increase in number of part-time or adjunct faculty, failure of state funding to keep pace with cost increases, and public demands for greater accountability are identified. Among seven principles highlighted are the following: the ultimate responsibility for the institution rests in its governing board; boards should ensure that institutions' fiscal and managerial affairs are properly administered; and all internal stakeholder groups should be heard on governance issues. The following six standards of good practice are recommended: (1) governing boards should state explicitly who has the authority for what kinds of decisions; (2) boards and chief executives should establish deadlines for consultative and decision-making processes; (3) the board should support the chief executive while expecting candor and full information in return; (4) governing boards should assess the chief executive's performance fully and regularly; (5) boards should work to minimize ambiguous or overlapping areas of authority; and (6) internal governance arrangements should be separate from the structures and terms of collective-bargaining contracts. Also considered are relations with external stakeholders and questions to help boards assess their policies and practices. (DB)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED 426 675

BOARD BASICS

THE FUNDAMENTALS

AGB Statement on Institutional Governance

ADOPTED BY THE
AGB BOARD OF DIRECTORS
NOVEMBER 8, 1998

PERMISSION TO REPRODUCE AND DISSEMINATE THIS MATERIAL IN MICROFICHE ONLY HAS BEEN GRANTED BY

AGB

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

2B

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☐ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

ASSOCIATION OF GOVERNING BOARDS OF UNIVERSITIES AND COLLEGES

BEST COPY AVAILABLE

3

BEST COPY AVAILABLE

AGB Statement on Institutional Governance

The enormous diversity among American colleges and universities is reflected in their disparate governance structures and functions. Although the culture and process of governance vary widely among institutions, the presence of lay citizen governing boards distinguishes American higher education from most of the rest of the world where universities ultimately are dependencies of the state. The nation's public and private institutions also depend on government, but they historically have been accorded autonomy in carrying out their educational functions through the medium of independent governing boards. These boards usually are gubernatorially appointed (and less frequently elected) in the case of public institutions and are generally self-perpetuating in private institutions.

The Association of Governing Boards of Universities and Colleges (AGB) has concluded that the governing boards responsible for the nation's 3,600 nonprofit colleges and universities should consider a number of principles and standards of good practice. In setting forth these principles and standards of effective governance, AGB respects the distinctive history, culture, missions, structures, and aspirations of our public and private institutions. Thus, this document is not intended to be prescriptive but rather a template of good practices and policy guidelines for boards to consider and adapt to their needs.

Much has changed in the three decades since the American Association of University Professors issued its "Statement on Government of Colleges and Universities." In 1966, AGB "commended" that document to the attention of its members, but it did not "endorse" it. This new statement, which addresses institutional decision making from the governing board perspective, takes into consideration some of the changes in the landscape of American higher education. These changes include but are not limited to the following facts and perceptions.

Facts

- The proportion of part-time or adjunct faculty has increased rapidly.
- Community colleges now enroll almost one-half of all students in higher education.
- The majority of students attend public institutions that are part of multicampus systems.
- As a result of various demands on limited state treasuries, state funding for public institutions has not kept pace with enrollment or cost increases. Many institutions, including independent colleges and universities, have had to downsize or significantly reallocate resources.
- The average length of service by institutional chief executives has declined, in part, as a result of conflicting demands from constituents, the politicization of public-sector governing boards, and the frequency of budget crises.

Perceptions

- The public demands greater accountability—particularly regarding student learning outcomes—and elected officials have intensified their scrutiny of higher education.
- There is a widespread perception that faculty members, especially in research universities, are divided in their loyalties between their academic disciplines and the welfare of their own institutions.

- Higher education officials are increasingly sensitive to changing student interests and the shifting demands of the job market.

- Scholars, think-tanks, and a variety of commissions project a major transformation of higher education as a result of a revolution in information technology, the reorientation of the focus of education from teaching to learning, and the new competition from corporate, for-profit and online enterprises in the higher education market.

- Many governing boards, faculty members, and chief executives believe that internal governance arrangements have become so cumbersome that timely decisions are difficult to make, and small factions often are able to impede the decision-making process.

- Alternatively, in the quest for consensus or efficiency, the governance process sometimes produces a "lowest common denominator" decision, which does not adequately address underlying issues.

The AGB Board of Directors has concluded that these facts and perceptions are so compelling that a new statement on internal governance is necessary—a new perspective as seen through the lens of governing boards and trustees. Its purpose is to encourage AGB-member boards to examine the clarity, coherence, and appropriateness of their institutions' governance structures, policies, and practices and to revise them as necessary.

Principles

1. The ultimate responsibility for the institution rests in its governing board. Boards cannot delegate their fiduciary responsibility for the academic integrity and financial health of the institution. Traditionally, and for practical reasons, boards delegate some kinds of authority to other stakeholders with the implicit and sometimes explicit condition that the board reserves the right to question, challenge, and occasionally override decisions or proposals it judges to be inconsistent with the mission, integrity, or financial position of the institution. For example, the delegation of authority to the administration and faculty in adding, reducing, or discontinuing academic programs is made with the implicit understanding that the board still retains the ultimate responsibility.

2. The governing board should retain ultimate responsibility and full authority to determine the mission of the institution (within the constraints of state policies, in the case of public institutions or multicampus systems) in consultation with and on the advice of the chief executive. The board is also responsible for establishing the strategic direction of the institution or system through its insistence on and participation in comprehensive planning. As with many other issues, the board should work toward a consensus or an understanding on the part of the stakeholders concerning strategic direction and set forth a realistic view of the resources necessary to compete in the educational marketplace, accomplish these strategic goals, and carry out the mission.

3. Colleges and universities have many of the characteristics of business enterprises. Consequently, boards should ensure that, as corporations, their institutions' fiscal and managerial affairs are administered with appropriate attention to commonly accepted business standards. At the same time, nonprofit colleges and universities differ from businesses in many respects. They do not operate with a profit motive, and the "bottom lines" of colleges and universities are far more difficult to measure. They also differ from businesses in the sense that the processes of teaching, learning, and research often are at least as important as "the product," as measured by the conferring of degrees or the publication of research results. And by virtue of their special mission and purpose in a pluralistic society, they have a tradition of participation in institutional governance that is less common in and less appropriate for businesses.

4. The governing board should conduct its affairs in a manner that exemplifies the behavior it expects of other participants in institutional governance. From time to time, boards should examine their membership, structure, and performance and should expect the same of faculty and staff. Boards and their individual members should engage in periodic evaluations of their effectiveness and commitment to their institution or public system. They should strive to understand and respect the unique culture of their organization and its place in the academic landscape. They should comprehend all sides of an issue and—in appropriate instances and in consultation with the chief executive—afford contending parties an opportunity to present their views. The board should be prepared to set forth the reasons for its decisions.

Just as administrators and boards should respect the need for individual faculty members to exercise academic freedom in their classrooms and laboratories, boards should avoid the temptation to micromanage in matters of administration. And just as responsible faculty participation in governance places good institutional citizenship ahead of departmental or personal professional interest, so should individual board members avoid even the perception of any personal or special interests. In the case of public institutions or systems, trustees and governing boards should not be seen as advocates for their appointing authorities or of certain segments of the electorate. Board members as well as faculty members should avoid undermining their administrations.

THE GOVERNING BOARD SHOULD CONDUCT ITS AFFAIRS IN A MANNER THAT EXEMPLIFIES THE BEHAVIOR IT EXPECTS OF OTHER PARTICIPANTS IN INSTITUTIONAL GOVERNANCE.

5. Historically, higher education governance has included three principal internal stakeholders—governing boards, administrators, and the full-time faculty. In fact, other stakeholders exist and in increasing numbers. For example, the nonacademic staff usually substantially outnumbers the faculty, and yet this group rarely has a formal voice in governance. The same is true of the non-tenure-eligible, part-time, and adjunct faculty. These latter groups now predominate in community colleges and are an ever-larger component of the faculty in senior institutions, particularly in the public sector. Students have a vital stake in the institution and should be given opportunities to be heard on various issues and in some cases to participate directly in the governance process, preferably as members of board committees rather than as voting members of governing boards.

The involvement of these diverse internal stakeholder groups will vary according to subject matter and the culture of the institution, but the board is responsible for establishing the rules by which their voices are considered. Boards should ensure that no single stakeholder group is given an exclusive franchise in any area of governance, while recognizing that the subject matter in question will determine which groups have predominant or secondary interests.

6. All board members, regardless of how they came to the board, should feel a responsibility to serve the institution or the system as a whole and not any particular constituency or segment of the organization. Faculty, student, and staff involvement in the work of the board most appropriately occurs by membership on standing or ad-hoc committees of the board. While there are many instances of successful involvement to the contrary, it is AGB's view that faculty, staff, and students ordinarily should not serve as voting members of their own institution's governing board because such involvement violates the principle of independence of judgment. Particularly in the case of faculty or staff members, board membership inevitably places them in conflict with their employment status. In any event, boards should be mindful that the presence of one or more students, faculty, or staff members on the board or its committees neither constitutes nor substitutes for full communication and consultation with these stakeholders.

7. Most senior public institutions and many community colleges are parts of multicampus systems that accord the system or corporate board the legal authority and responsibility for a set of institutions or campuses. The system governing board should clarify the responsibilities of the campus heads, the system head, and any institutional quasi-governing or advisory boards—as, for instance, boards and administrative officers of the professional schools of law, medicine, the health sciences, and business, and of intercollegiate athletics. The system board should clarify the authority, responsibilities, and expectations of such subordinate boards and officers, as well as of single-campus advisory boards. In multicampus systems, governing boards should lean strongly in the direction of maximum possible autonomy for individual campuses or schools—unless, in particular instances, such autonomy clearly is not being exercised responsibly.

Standards of Good Practice

1. Governing boards should state explicitly who has the authority for what kinds of decisions—that is, to which persons or bodies it has delegated authority and whether that delegation is subject to board review. For example, curricular matters and decisions regarding individual faculty appointments, promotions, and contract renewal normally would fall within the delegated decision-making authority of appropriate faculty and administrative entities operating within the framework of policies and delegations of the board.

The board should also reserve the right to review and ratify specified academic decisions, as well as proposals to adopt major new academic programs or eliminate others. The board should set budget guidelines concerning resource allocation on the basis of assumptions, usually developed by the administration, that are widely communicated to interested stakeholders and subject to ample opportunity for challenge. But the board should not delegate the determination of the overall resources available for planning and budgetary purposes. Once the board makes these overarching decisions, it should delegate resource-allocation decisions to the chief executive officer who may, in turn, delegate to others.

In all instances in which the board believes resources will need to be reallocated in ways that will lead to reducing or eliminating some programs, the board should ask the administration to create a process for decision making that includes full consultation, clear and explicit criteria, and full communication with stakeholder groups. The board should recognize that institutional consensus is more likely when all parties have agreed on the process and criteria. If, for example, the board decides the institution is in such financial jeopardy that faculty and staff reductions and reallocations are necessary, it first should consult the stakeholders, then share the information and describe the analysis that led them to make such a determination.

2. Boards and chief executives should establish deadlines for the conclusion of various consultative and decision-making processes with the clear understanding that failure to act in accordance with these deadlines will mean that the next highest level in the governance process may choose to act. While respecting the sometimes lengthy processes of academic governance, a single individual or group should not be empowered to impede decisions through inaction.

3. The chief executive is the board's major window on the institution, and the board should expect both candor and sufficient information from the chief executive. In turn, the board should support the chief executive, while ensuring that the voices of other stakeholders are heard.

4. Governing boards have the sole responsibility to appoint and assess the performance of the chief executive. The selection and support of the chief executive is the most important exercise of board responsibility. Boards should assess the chief executive's performance on an annual basis for progress toward attainment of goals and objectives, as well as for compensation review purposes, and more comprehensively every several years in consultation with other stakeholder groups, as the board may

deem appropriate. In assessing the chief executive's performance, boards should bear in mind that board and presidential effectiveness are interdependent. Consequently, boards should concurrently assess their own performance and that of the chief executive every several years. Performance reviews assisted by qualified third parties can contribute significantly to the professionalism and objectivity of the process.

THE BOARD SHOULD RECOGNIZE THAT INSTITUTIONAL CONSENSUS IS MORE LIKELY WHEN ALL PARTIES HAVE AGREED ON THE PROCESS AND CRITERIA.

5. There should be a conscious effort to minimize the ambiguous or overlapping areas in which more than one stakeholder group has authority. The respective roles of the administration, faculty, and governing board in faculty appointments, promotions, and tenure illustrate the principle of collaboration. For example, although the board may wish to exert its ultimate responsibility by insisting on approving individual tenure decisions, it might choose to delegate other kinds of actions to the administration, which might, in turn, delegate some authority for some decisions to an appropriate faculty body. Clarity does not preclude gray or overlapping areas of authority, but each group should understand whether its purview, and that of others in the governance process, is determinative or consultative. Moreover, the board and the chief executive should ensure the systematic review of all institutional policies over time, including those affecting internal governance.

"Communication," "consultation," and "decision making" should be defined and differentiated in board and institutional policies. Governing boards should communicate their investment and endowment spending policies, for example, but they may choose not to invite consultation on these matters. Student financial-aid policies and broad financial-planning assumptions call for both communication and consultation with stakeholder groups.

6. In institutions with faculty or staff collective-bargaining contracts, internal governance arrangements should be separate from the structure and terms of the contract. If a collective-bargaining contract governs the terms and conditions of faculty and staff employment, the board should consider a formal policy regarding the role of union officials in institutional governance. Specifically, the board should articulate any limitations the existence of a bargaining agreement may place on participation in governance by union officials.

External Stakeholders

The preceding sections primarily address the internal governance of institutions or multicampus systems. But public institutions receive large proportions of their financial resources through governors, legislatures, statewide coordinating bodies (in some cases), and increasingly through foundations affiliated with the institution or system—and governing boards are accountable for these funds. The responsibilities of these officials and bodies vary widely among the states, but governing boards should serve as important buffers between the college or university and the political structures, partisan politics, and pressures of state government. Together with the chief executive, they should also serve as a bridge between the institution or system and its affiliated asset-management and fund-raising organization. These board responsibilities require a skillful balancing of effective communication and sensitive advocacy in articulating and defending the mission, priorities, and programs of the institution and in conveying to institutional constituents the concerns of external stakeholders. Boards should also serve as bridges to state government leaders whose views and perspectives concerning the conduct of public higher education, as it relates to state needs and priorities, should be heard and considered.

The relationship between the institution or system and the various external political and regulatory oversight groups should reflect an understanding by which the institution or system is held accountable for results in relation to agreed-upon objectives and, in return, oversight and regulation is minimized. This arrangement preserves the essential autonomy of the institution or system, which differentiates it from other state entities, and makes it clear that it is accountable for results.

Alumni are an especially important stakeholder group in both public and private institutions. Alumni are a vital resource, and their participation in the life of the institution should be actively encouraged. But alumni organizations frequently give rise to a brand of activism that intrudes on the roles of governing boards and chief executives. AGB recommends that alumni organizations be under the direct authority of the chief executive. Further, while the governing board should have appropriate alumni members, the board should always retain full legal, moral, and fiduciary responsibility for the institution.

Other organizations—higher education associations, disciplinary organizations, and accrediting bodies, among others—sometimes attempt to prescribe institutional policies and practices. The board should exercise caution in adopting the policies and procedures promulgated by any of these organizations. With the possible exception of those institutions owned by or closely affiliated with sponsoring organizations that contribute to their finances or otherwise hold title to their property and assets, the board should not feel obligated to adopt the policies and prescriptions of any external bodies.

Conclusion

College and university governing board membership is one of the most serious and consequential exercises of voluntary leadership in our society. It calls for balancing and sometimes buffering the often-conflicting claims of multiple internal and external stakeholders. It requires good judgment in avoiding becoming managerial while being sufficiently informed to assess management. It calls for listening and questioning more than pronouncing and demanding. Most of all, it requires a commitment to the institution as a whole rather than to any of its parts. Governing board membership is both challenging and enormously rewarding in the service of the current and future generations of students and, therefore, the nation's ultimate well-being.

Questions to Consider

These questions should help boards assess whether policies and practices concerning the participation of trustees, administration, faculty, staff, and students in institutional governance are reasonably clear, coherent and consistent. Answers to these questions will help boards and chief executives determine whether to establish a process to revise the policies or improve how they are used.

1. Do all trustees, administrators, faculty, staff, and students understand that the board has ultimate responsibility for determining, in consultation with appropriate stakeholders, the institution's mission? Do these constituents clearly understand that the board is ultimately responsible for the institution's welfare? Do the trustees understand that such responsibility requires not only monitoring the fiscal and physical assets of the institution but also having sufficient knowledge of the academic programs to ask hard questions concerning program quality, coherence, relevance, attractiveness, and appropriateness?

2. Has the board explicitly defined the major areas of delegated authority? Has it specified to whom the authority is given, the extent of the delegation, and the measure of accountability?

3. If the board governs a multicampus system, is the authority of the system head, campus heads, and institution-based advisory or quasi-governing boards reasonably clear and demonstrably effective?

4. If a collective-bargaining contract governs the relations of faculty or staff with the institution, has the board considered a formal policy regarding the role of union officials in institutional governance and the limitations a bargaining agreement may place on their participation in governance?

5. Does the board conduct its affairs in a manner that exemplifies the behavior it expects from other campus constituents as they participate in governance? As the board strives to promote quality by means of rigorous review of programs, processes, and people, does it demonstrate a similar commitment to the assessment of its own performance? As the board seeks to encourage more open and effective communication on campus, does it exemplify openness and respect in its interactions with stakeholders? As the board calls for a greater commitment to the institution on the part of campus stakeholders, do trustees eschew advocacy of personal interests and exemplify dedication to the institution?

6. Has the board enhanced communication with the campus stakeholders? Has it clearly distinguished between information gathering, consultation, and decision making in its communication with campus constituents? Do stakeholder groups regularly consult with the chief executive and then, as appropriate, with the board on substantive matters that may affect major institutional policy?

7. Does the board establish clear deadlines for the conclusion of consultative and decision-making processes, and do campus constituents understand and accept the need for timely decision making?

8. Has the board, in concert with the chief executive, established a process and timeline for a periodic, systematic review of the institution's policies and procedures governing institutional decision making?

9. Has the board, in concert with the chief executive and in consultation with appropriate stakeholders, assessed the participation of stakeholders in institutional decision making and their collaboration in policy implementation? What initiatives might be undertaken to clarify and strengthen communication, participation, and collaboration in institutional governance?

BOARD BASICS

This publication is part of Board Basics, an AGB series devoted to strengthening the effectiveness of governing boards and trustees. Board Basics comprises several topic clusters—The Fundamentals, Financial Matters, Fund Raising, Academic Affairs, Leadership, Strategic Decisions, and Effective Committees—each of which contains several booklets. Several assumptions underlie the series:

- Academic trusteeship grows increasingly ambiguous, and trustees need concise, accessible, and focused information to help them carry out their complex fiduciary and stewardship responsibilities.
- Basic principles of trusteeship remain constant across higher education, regardless of institution's type, size, and mission. The series highlights these general principles to provide trustees with a core of knowledge they can apply to their individual institutions.
- The series addresses the distinguishing characteristics of academic trusteeship, especially as it differs in scope, substance, and focus from corporate directorships and other board service.

AGB and the authors welcome comments and suggestions to improve this publication and others in the series. Call AGB publications at 800/356-6317 or visit our Web site at http://www.agb.org for more information.

BEST COPY AVAILABLE

Association of Governing Boards
of Universities and Colleges

One Dupont Circle • Suite 400
Washington, D.C. 20036
http://www.agb.org